

Mullins, Diona (CHFS Health Policy)

From: Laura Belcher <lebelcher@tjsamson.org>
Sent: Friday, December 05, 2014 2:14 PM
To: Mullins, Diona (CHFS Health Policy)
Cc: Bud Wethington
Subject: Comments on CON Modifications

December 5, 2014

Office of Health Policy
c/o Diona Mullins, Policy Advisor
Cabinet for Health and Family Services
275 E. Main St., 4W-E
Frankfort, KY 40621

Dear Ms. Mullins:

On the issue of modernization of the core principles of Certificate of Need and the State Health Plan, T.J. Samson Community Hospital supports the comments entered by the Kentucky Hospital Association (KHA) in December 2014. As addressed in the KHA comments as an association we have been actively involved in working to evolve the State Health Plan over the years including but not limited to revision of the bed need, updating the standard for Neonatal Intensive Care and extending the availability of Percutaneous Coronary Intervention to citizens in rural areas. The CON provides a blanket of protection for the residents of rural Kentucky by maintaining the integrity of the hospitals and health centers operating in the rural areas. With the Commonwealth of Kentucky being predominately rural, CON protects the availability of healthcare services to a large portion of its' citizens.

If the CON program is abolished or becomes less restrictive, rural hospitals will be affected by losing volume in outpatient services, surgery, admission and ambulatory surgery. The hospitals located in the rural regions are already stretched to be able to offer a broad spectrum of services for all residents. The volume that hospitals currently perform in MRI and surgery helps to supplement the services that hospitals provide which are not profitable. Changes to the CON program will leave rural hospitals with a disproportionate share of Medicaid and indigent patients which will drive the cost of services up for the entire community. By allowing additional facilities to open offering only the most lucrative services and not requiring them to provide a broad spectrum of care, hospitals will be left with the "loss leader" services such as emergency departments and obstetrics.

Many new facilities will likely be physician owned and therefore physician directed which could unnecessarily increase the utilization of these services. Hospitals will be unable to continue to enhance their facilities through upgrades in technology, medical equipment and expand facilities, because they will be forced to utilize any available surplus to supplement operations.

Other new facilities will be developed by investor owned companies that have a significant focus on financial outcomes that will not share the same mission of the hospitals that accept patients regardless of their ability to pay. This will increase the inequity between hospitals and other providers and will not increase care to Medicaid patients.

The issue of enhancing access and quality cannot be solved by simply adding more facilities. The Centers for Medicare and Medicaid have been working on quality reporting and reimbursement and it is a very complex and expensive system. Given Kentucky's financial situation and the burden that has been assumed through Medicaid it is unlikely that Kentucky can allocate funds to duplicate the quality reporting and reimbursement mechanisms that would be a duplication of what CMS has implemented.

Without the certificate of need program, unneeded facilities will be developed which will "decrease overall occupancy rates and increase costs, possibly forcing some facilities out of business," (Healthcare Advisory Board). When volumes start to decline in some services a decline in quality can also be anticipated. Another consideration is the impact of the CON deregulation on the quality of medical education. In order to maintain accreditation of residency and other training programs, certain volumes of services must be maintained. If patients are redirected away from a facility like ours that train primary care physicians to deliver health care in rural areas, the need for providers in rural areas will increase due to the lack of adequately trained physicians. The University of Louisville Family Practice Residency Program has allowed our region to retain great physicians who have a desire to practice in a rural setting. Other critical access facilities in our region are struggling due to their inability to maintain primary care physicians in their rural markets. Healthcare reform regulations have already reduced our inpatient volumes and reduced the volumes that our residents experience. If CON is modernized in a way to reduce surgeries and other outpatient visits, our ability to maintain a residency training program will be in question.

In our market in 2014 we have experienced an increase in Medicaid as most providers in the Commonwealth have experienced. However, we have also seen a significant decrease in traditional commercial insurance (citizens that have elected to shop the exchange) and an increase in bad debt because of the high deductible plans that are offered in the exchange. In the BRADD area, TJ Samson employs OB/GYNs that provide access to all obstetrics patients regardless of payor source. Because of our commitment to do so, our organization has a substantially higher mix of Medicaid deliveries because we are pulling from a 12 county area of Medicaid patients. The Medicaid demand is so high for these service that our providers are unable to see gynecological cases in our region that are more profitable to the organization. TJ Samson is in the process of recruiting another OB/GYN to care for the growing demand of Medicaid obstetrics and gynecology. However, if TJ Samson would lose substantial volume to a for-profit ambulatory surgery center we would not be able to recruit this much needed physician which will continue the access problem for Medicaid patients searching for an OB/GYN provider in our market.

Rural hospitals operate as health care "hubs" for rural Kentuckians, providing 24/7 emergency care, comprehensive diagnostics, primary care clinics, prevention and wellness services, access to specialty care and long term local treatment to those with chronic diseases. Of equal importance, rural hospitals are the primary recruiter of physicians to smaller communities. Without rural hospitals, physician coverage in many of these areas would be severely reduced as would the availability of outpatient clinics and in some cases, ambulance services. Rural hospitals are also one of the strongest economic engines in their communities, providing a stable workforce, health care and good wages.

T.J. Samson has been recently approached by local industries to partner with them in attempts to reduce their cost for employee health benefits. This problem is affecting all sectors of business and will continue to do so until healthcare costs are controlled. In a publication from the Healthcare Advisory Board, the following research was referenced: three separate studies conducted by Daimler Chrysler, Ford Motor Co., and General Motors Corp.—three of the largest employers and purchasers of health care in the nation—revealed that per-person employee health costs in CON states were nearly three times lower than in non-CON states (Veazey,

Atlanta Journal-Constitution, 5/20/04; Missouri Health Facilities Review Committee, 12/2/02). Can the Commonwealth of Kentucky afford to put their industries at a disadvantage by eliminating or reducing the scope of the CON program?

Sincerely,

Bud Wethington
President/ Chief Executive Officer
TJ Regional Health

Kindest Regards,

Laura Belcher, FACHE
Chief of Planning and Business Development

T.J. Regional Health
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